

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CITY OF PETERSBURG	County MONROE
Fiscal Year End 06/30/06	Opinion Date 9/25/06	Date Audit Report Submitted to State 12/22/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

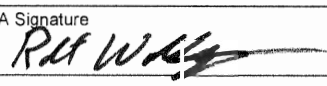
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) COOLEY HEHL WOHLGAMUTH & CARLTON, PLLC		Telephone Number 734-241-7200	
Street Address 1 SOUTH MONROE STREET		City MONROE	State MI
		Zip 48161	
Authorizing CPA Signature 	Printed Name ROBERT WOHLGAMUTH, CPA		License Number 1101007755

**CITY OF PETERSBURG**  
Monroe County, Michigan

**ANNUAL FINANCIAL REPORT**

June 30, 2006

# CITY OF PETERSBURG

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Independent Auditor's Report

To the Honorable Mayor and Members  
of the City Council  
City of Petersburg, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Petersburg, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Petersburg, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Petersburg, Michigan as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Cooley Hehl Wohlgamuth & Carlton, PLLC*

September 25, 2006

## CITY OF PETERSBURG

### *Management's Discussion and Analysis Year Ended June 30, 2006*

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This section of the City of Petersburg's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2006. Please read it in conjunction with the City's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplementary information that presents all the City's revenues and expenditures by program for the General Fund, Special Revenue Funds, Debt Fund, and Proprietary Fund.

The Governmental Accounting Standards Board (GASB) adopted this reporting model in *Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June, 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Petersburg financially as a whole. The ***Government-Wide Financial Statements***, which include the Statement of Net Assets and the Statement of Activities, provide information about the activities of the City as a whole and presents both a short-term and a long-term view of those finances. The ***Fund Financial Statements*** provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The ***Fund Financial Statements*** report the City's operations in more detail than the ***Government-Wide Financial Statements*** by providing information about the City's most significant funds - the General Fund, the Major Street Fund, the Local Street Fund, the Law Enforcement Fund, the Library Fund, the Debt Fund, the Water Fund, and the Sewage Disposal Fund. The remaining statement, the Statement of Fiduciary Net Assets, presents financial information about activities for which the City acts solely as an agent for the benefit of the public. The following summary illustrates how the various parts of this annual report are arranged:

*Management's Discussion and Analysis (MD&A)*  
*(Required Supplemental Information)*

#### Basic Financial Statements

*Government-Wide Financial Statements*      *Fund Financial Statements*

*Notes to the Basic Financial Statements*

*Budgetary Information for Major Funds*  
*(Required Supplemental Information)*

## CITY OF PETERSBURG

### *Management's Discussion and Analysis* *Year Ended June 30, 2006*

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#### **Government-Wide Financial Statements**

The Statement of Net Assets and the Statement of Activities (pages 9-11), which appear first in the City's financial statements, report information on the City as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the City's financial health is improving or deteriorating. The relationship between revenues and expenses indicates the City's operating results. However, the City's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the City.

The Statement of Net Assets and Statement of Activities report the governmental activities for the City, which encompass all of the City's services, including general government services, public safety, public works, culture and recreation. property taxes, state grants, and charges for services finance most of these activities.

#### **Fund Financial Statements**

The City's Fund Financial Statements (pages 12-22) provide detailed information about the most significant or "major" funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City establishes other funds to control and manage money for particular purposes or to show that it is properly using revenues. The City's three types of funds, governmental, proprietary and fiduciary, use different accounting approaches as described below:

**Governmental funds** - Many of the City's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the City and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation format in the financial section on pages 14 and 17.

**Proprietary fund** - A Proprietary Fund is used to account for business-type activities of the City, which consists of the Water Fund and the Sewage Disposal Fund. These funds account for services provided by the City where the City charges customers for the services it provides. These funds use accrual accounting; the same method used by private sector business.

**Fiduciary fund** - An Agency Fund is used to account for assets held by the City as an agent for the collection and disbursement of property taxes.

# CITY OF PETERSBURG

## Management's Discussion and Analysis Year Ended June 30, 2006

### Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets as of June 30, 2006 and 2005:

**Table 1:**

### Comparative Statement of Net Assets June 30,

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$1,048,961	\$939,079	\$748,933	\$681,393	\$1,797,894	\$1,620,472
Capital assets, net	771,535	707,365	4,462,912	4,611,439	5,234,447	5,318,804
<b>Total Assets</b>	<b>1,820,496</b>	<b>1,646,444</b>	<b>5,211,845</b>	<b>5,292,832</b>	<b>7,032,341</b>	<b>6,939,276</b>
Current and other liabilities	139,606	55,189	178,753	178,881	318,359	234,070
Long-term liabilities	88,487	0	3,250,000	3,390,000	3,338,487	3,390,000
<b>Total Liabilities</b>	<b>228,093</b>	<b>55,189</b>	<b>3,428,753</b>	<b>3,568,881</b>	<b>3,656,846</b>	<b>3,624,070</b>
<b>Net Assets</b>						
Invested in capital						
assets, net of related debt	664,037	707,365	1,072,912	1,081,439	1,736,949	1,788,804
Restricted for fire protection	40,642	79,444	332	1,175	40,974	80,619
Unrestricted	887,724	804,446	709,848	641,337	1,597,572	1,445,783
<b>Total Net Assets</b>	<b>\$1,592,403</b>	<b>\$1,591,255</b>	<b>\$1,783,092</b>	<b>\$1,723,951</b>	<b>\$3,375,495</b>	<b>\$3,315,206</b>

As depicted in Table 1, the City's net assets were \$3.375 million at June 30, 2006. Of this amount, a positive \$1.6 million was unrestricted. This amount represents the *accumulated* results of all past years' operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. The City continues to collect a debt service charge in the Water Fund. In addition, tap-ins on the new water system have totaled approximately \$627,000 as of June 30, 2006. This additional revenue has been designated by the City for future debt repayment and remains in net assets as of June 30. Under normal conditions, the operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the City as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for the fiscal year ended June 30, 2006 and 2005.



# CITY OF PETERSBURG

## *Management's Discussion and Analysis* *Year Ended June 30, 2006*

### Government-Wide Financial Analysis - Continued

**Table 2:**

#### Comparative Statement of Activities June 30,

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues</b>						
Program revenues						
Charges for services	\$40,604	\$39,406	\$329,166	\$323,047	\$369,770	\$362,453
Federal, state and local grants	87,776	90,251	0	0	87,776	90,251
	128,380	129,657	329,166	323,047	457,546	452,704
General revenues						
Property taxes	359,541	327,320	72,937	75,158	432,478	402,478
State grants	149,604	151,322	0	0	149,604	151,322
Other general revenues and transfers out	84,978	23,213	189,053	207,036	274,031	230,249
	594,123	501,855	261,990	282,194	856,113	784,049
Total Revenues	722,503	631,512	591,156	605,241	1,313,659	1,236,753
<b>Functions/Program Expenses</b>						
Legislative	12,877	11,659	0	0	12,877	11,659
General government	133,483	136,520	0	0	133,483	136,520
Public safety	131,876	122,645	0	0	131,876	122,645
Public works	373,675	250,790	0	0	373,675	250,790
Health and welfare	472	4,936	0	0	472	4,936
Recreation and cultural	24,270	20,733	0	0	24,270	20,733
Interest on long-term debt	1,288	0	0	0	1,288	0
Other	57,259	57,151	0	0	57,259	57,151
Sewer	0	0	236,797	256,752	236,797	256,752
Water	0	0	295,218	314,027	295,218	314,027
Total Expenses	735,200	604,434	532,015	570,779	1,267,215	1,175,213
<b>Increase (Decrease) in Net Assets</b>	<b>(\$12,697)</b>	<b>\$27,078</b>	<b>\$59,141</b>	<b>\$34,462</b>	<b>\$46,444</b>	<b>\$61,540</b>

## CITY OF PETERSBURG

### *Management's Discussion and Analysis* *Year Ended June 30, 2006*

#### **Government-Wide Financial Analysis - Concluded**

As indicated in Table 2, the cost of *all governmental* activities this year was \$735,200. Of this amount, \$128,380 was subsidized with revenue generated from charges for services and grants with the remaining costs financed with general revenues.

The City experienced an increase in net assets of \$46,444 for the current fiscal year. The increase in net assets differs from the change in fund balance. A reconciliation of the change in fund balances for the governmental funds to the change in net assets appears on page 17.

The City also started the Brownfield Redevelopment Authority (BRA). The BRA was started to help the City with clean up of environmental costs associated with the property purchased from VanDeilen Industries, Inc. The BRA will allow the City to recoup environmental cleanup costs through collection of taxes (See Note 13 on Tax Increment Financing).

#### **Fund Financial Analysis**

As noted earlier, the City uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the City of Petersburg is being held accountable for the resources taxpayers and others provide to it and may give more insight into the City's overall financial health.

As the City completed this year, the funds accounting for the governmental activities reported a combined fund balance of \$906,456, which is a decrease of \$5,127 from last year. The changes by fund types are as follows:

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Total</b>
<b>Fund balances - Beginning of year</b>	\$804,446	\$79,444	\$883,890
Library Fund beginning fund balance	0	27,693	27,693
Increase (decrease)	83,278	(88,405)	(5,127)
<b>Fund balances - End of year</b>	<u>\$887,724</u>	<u>\$ 18,732</u>	<u>\$906,456</u>

The City and Summerfield Township have agreed that the City will include the audit of the Summerfield-Petersburg Library. In the Fund Financial Statements, we will include 100% of the Library activity. \$27,693 was added to Governmental Activities Fund balance, which represents beginning cash for the library. An adjustment will be made to reconcile the City's share of the library, 50%, on the Government-wide financial statements.

The Special Revenue funds include among other funds, the Major Street Fund, which routinely accumulates funds for several years before it contracts for major items. During the fiscal year ended June 30, 2006, the Major Street Fund had revenues of \$98,605 and expenditures of \$185,948.

## CITY OF PETERSBURG

### *Management's Discussion and Analysis* *Year Ended June 30, 2006*

#### **Fund Financial Analysis – Concluded**

The City's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities of the General Fund.

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Percent Change</u>
<b>Revenues</b>			
Property taxes	\$ 256,827	\$ 245,494	4.6 %
Licenses and permits	5,095	8,700	(41.4)%
State grants	149,604	151,322	(1.1)%
Charges for services	9,359	8,836	5.9 %
Interest and rentals	25,685	16,458	56.1 %
Administrative charges	26,150	21,870	19.6 %
Other	12,671	4,559	177.9 %
	<u>\$485,391</u>	<u>\$457,239</u>	6.2 %

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Percent Change</u>
<b>Expenditures</b>			
Legislative	\$ 12,877	\$ 11,659	10.4 %
General government	245,665	120,761	103.4 %
Public safety	42,614	37,042	15.0 %
Public works	122,398	127,431	(3.9)%
Health and welfare	7,222	4,936	4.6 %
Recreation and cultural	12,038	18,690	(35.6)%
Other	57,259	57,151	0.2 %
	<u>\$500,073</u>	<u>\$377,670</u>	32.4 %

#### **General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires the City Council to adopt the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the City may revise its budget as it attempts to deal with the unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule illustrating the City's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements. Revisions to the General Fund original budget were as follows:

Revenues - Although no revisions were made to the revenue budget of \$468,206, several factors impact the planning of it. The City relies heavily on property taxes and state shared revenue to fund General Fund expenditures. Property taxes of \$256,827 (up \$11,333 from the prior year) make up 53% of the General Fund revenues. State revenues of \$149,604 (down \$1,718 from last year) represented approximately 31% of the General Fund revenues. Projected reductions in state-shared revenues, along with a modest increase in taxable value, cause the Council to have a very conservative outlook.

## **CITY OF PETERSBURG**

### *Management's Discussion and Analysis Year Ended June 30, 2006*

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#### **General Fund Budgetary Highlights - Concluded**

Expenditures - The original budget of \$467,706 had no revisions during the year. Salary increases over the prior year was moderate. Areas experiencing notable increases over the prior year were clerk (\$4,446), treasurer (\$3,747), public safety (\$5,572), health and welfare (\$2,286), and public relations (\$123,138). The increase in public relations, in large was a purchase of property for \$120,000. Areas experiencing notable decreases over the prior year were clerk - elections (\$2,440), forestry (\$4,128), and public works (\$5,033). As a result of the City's efforts, the General Fund's fund balance increased this year by \$83,278 as opposed to an increase in the prior year of \$79,569.

#### **Capital Asset and Debt Administration**

##### **Capital Assets**

At June 30, 2006, the City had \$7.8 million invested in a broad range of capital assets, including land, land improvements, building and building improvements, machinery and equipment, vehicles, water mains, a waste water treatment plant, and sewer lines. This amount represents a net increase (including additions and disposals) of approximately \$100,000 from last year. This year's additions were largely attributable to the purchase of land for \$120,000. Depreciation for this year totaled \$185,280. Detailed information regarding capital assets is included in Note 8 to the financial statements.

##### **Debt Administration**

At June 30, 2006, the City had \$107,498 in installment loans payable on the purchase of new land. The loan will be paid through transfers from the General Fund.

At June 30, 2006, the City had \$3,390,000 in bond payables on the construction of the sewer plant upgrades and on the water main and pumping station. The bonds for the sewer plant upgrades will be repaid out of a property tax assessment. The water main and pumping station bonds will be paid through the combination of a one-time tap-in charge and a quarterly debt service charge. Detailed information regarding the City's debt is included in Note 9 to the financial statements.

#### **Contacting the City of Petersburg**

This financial report is designed to provide the City's citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate their accountability for the money it receives. If you have questions about this report or need additional information, contact the City Treasurer for assistance.

# CITY OF PETERSBURG

## Statement of Net Assets June 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Brownfield Redevelopment Authority
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$242,435	\$425,871	\$668,306	\$0
Short-term investments	412,435	103,109	515,544	0
Accounts/taxes receivable	2,372	124,834	127,206	0
Due from other governmental units	47,821	0	47,821	0
Due from component unit	7,756	0	7,756	0
Investment in joint venture:				
Summerfield - Petersburg Library	52,086	0	52,086	0
Internal balances	279,524	(279,524)	0	0
Total Current Assets	1,044,429	374,290	1,418,719	0
Restricted Assets:				
Cash and cash equivalents	0	332	332	0
Investments, at market value	0	373,911	373,911	0
Capital assets (net of accumulated depreciation)	771,535	4,462,912	5,234,447	0
Other Assets:				
Prepaid expenses	4,532	0	4,532	0
Deposits	0	400	400	0
Total Other Assets	4,532	400	4,932	0
Total Assets	1,820,496	5,211,845	7,032,341	0
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable	120,595	12,588	133,183	0
Accrued interest payable	0	26,165	26,165	0
Due to primary government	0	0	0	7,756
Loans payable - current portion	19,011	0	19,011	0
Bonds payable - current portion	0	140,000	140,000	0
Total Current Liabilities	139,606	178,753	318,359	7,756
Long-Term Liabilities:				
Loans payable (less current portion)	88,487	0	88,487	0
Bonds payable (less current portion)	0	3,250,000	3,250,000	0
Total Current Liabilities	88,487	3,250,000	3,338,487	0
Total Liabilities	228,093	3,428,753	3,656,846	7,756
<b>Net Assets</b>				
Invested in capital assets, net of related debt	664,037	1,072,912	1,736,949	0
Restricted for:				
Capital projects	0	332	332	0
Road Improvements	(59,167)	0	(59,167)	0
Library	52,086	0	52,086	0
Law enforcement	47,723	0	47,723	0
Brownfield Redevelopment Authority	0	0	0	(7,756)
Unrestricted	887,724	709,848	1,597,572	0
Total Net Assets	\$1,592,403	\$1,783,092	\$3,375,495	(\$7,756)

See accompanying notes to the basic financial statements.

# CITY OF PETERSBURG

## Statement of Activities For the Year Ended June 30, 2006

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
Legislative	\$12,877	\$0	\$0
General government	133,483	26,150	0
Public safety	131,876	0	825
Public works	373,675	14,454	86,951
Health and welfare	472	0	0
Recreation and cultural	24,270	0	0
Interest on long-term debt	1,288	0	0
Other	57,259	0	0
Total Governmental Activities	735,200	40,604	87,776
Business-type activities:			
Water	295,218	131,462	0
Sewer	236,797	197,704	0
Total business type activities	532,015	329,166	0
Total primary government	<u>\$1,267,215</u>	<u>\$369,770</u>	<u>\$87,776</u>
Component Unit:			
Brownfield Redevelopment Authority	<u>\$7,756</u>	<u>\$0</u>	<u>\$0</u>
General Revenues:			
Property taxes			
State grants			
Debt service and connection charges			
Interest and rentals			
Other revenue			
Total general revenues			
Change in Net Assets			
Net Assets - Beginning of year (as restated)			
Net Assets - End of year			

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Brownfield Redevelopment Authority
(\$12,877)	\$0	(\$12,877)	\$0
(107,333)	0	(107,333)	0
(131,051)	0	(131,051)	0
(272,270)	0	(272,270)	0
(472)	0	(472)	0
(24,270)	0	(24,270)	0
(1,288)	0	(1,288)	0
(57,259)	0	(57,259)	0
(606,820)	0	(606,820)	0
0	(163,756)	(163,756)	0
0	(39,093)	(39,093)	0
0	(202,849)	(202,849)	0
(606,820)	(202,849)	(809,669)	0
0	0	0	(\$7,756)
359,541	72,937	432,478	0
149,604	0	149,604	0
0	160,977	160,977	0
29,798	27,575	57,373	0
55,180	501	55,681	0
594,123	261,990	856,113	0
(12,697)	59,141	46,444	(7,756)
1,605,100	1,723,951	3,329,051	0
<u>\$1,592,403</u>	<u>\$1,783,092</u>	<u>\$3,375,495</u>	<u>(\$7,756)</u>

# CITY OF PETERSBURG

## *Governmental Funds Balance Sheet June 30, 2006*

	General Fund	Major Street Fund	Local Street Fund
<b>Assets</b>			
Cash and cash equivalents	\$89,859	\$55,895	\$48,958
Short-term investments	412,435	0	0
Accounts/taxes receivable	2,372	0	0
Due from other governmental units	47,821	0	0
Due from component unit	7,756	0	0
Due from other funds	392,307	7,571	0
Prepaid expense	4,532	0	0
<b>Total Assets</b>	<b>\$957,082</b>	<b>\$63,466</b>	<b>\$48,958</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$69,358	\$43,551	\$7,686
Due to other funds	0	75,593	44,761
<b>Total Liabilities</b>	<b>69,358</b>	<b>119,144</b>	<b>52,447</b>
<b>Fund Balances:</b>			
Reserved for prepaids	4,532	0	0
Unreserved - reported in			
General fund	883,192		
Special revenue funds		(55,678)	(3,489)
<b>Total Fund Balances</b>	<b>887,724</b>	<b>(55,678)</b>	<b>(3,489)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$957,082</b>	<b>\$63,466</b>	<b>\$48,958</b>

See accompanying notes to the basic financial statements.



Law Enforce. Fund	Library Fund	2006 Installment loan Fund	Total Governmental Funds
\$47,723	\$30,176	\$0	\$272,611
0	0	0	412,435
0	0	0	2,372
0	0	0	47,821
0	0	0	7,756
0	0	0	399,878
0	0	0	4,532
<u>\$47,723</u>	<u>\$30,176</u>	<u>\$0</u>	<u>\$1,147,405</u>
\$0	\$0	\$0	\$120,595
0	0	0	120,354
0	0	0	240,949
0	0	0	4,532
47,723	30,176	0	883,192
			18,732
<u>47,723</u>	<u>30,176</u>	<u>0</u>	<u>906,456</u>
<u>\$47,723</u>	<u>\$30,176</u>	<u>\$0</u>	<u>\$1,147,405</u>

**CITY OF PETERSBURG**

*Reconciliation of the Governmental Funds Balance Sheet  
to Statement of Net Assets  
June 30, 2006*

---

Amounts reported for governmental activities in the statement of net assets are different because:

<b>Total Fund Balances - Governmental Funds</b>	<b>\$906,456</b>
---	------------------

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in Governmental funds.

The cost of the capital assets is	1,165,841
Accumulated depreciation is	(394,306)

Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds:	(107,498)
--	-----------

Adjustment to investment in Summerfield - Petersburg Library joint venture to reflect City of Petersburg's 50% equity, total activity of the library was reported in the funds.	21,910
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<b>Total Net Assets - Governmental Activities</b>	<b><u>\$1,592,403</u></b>
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See accompanying notes to the basic financial statements.

# CITY OF PETERSBURG

## Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances For the Year Ended June 30, 2006

	General Fund	Major Street Fund	Local Street Fund
<b>Revenues</b>			
Taxes	\$256,827	\$0	\$0
Licenses and permits	5,095	0	0
State grants	149,604	65,663	21,288
Charges for services	9,359	0	0
Local contributions	0	0	0
Interest and rentals	25,685	169	133
Administrative charges	26,150	0	0
Other	12,671	32,773	8,235
<b>Total Revenues</b>	<b>485,391</b>	<b>98,605</b>	<b>29,656</b>
<b>Expenditures</b>			
Current Operating:			
Legislative	12,877	0	0
General government	245,665	0	0
Public safety	42,614	0	0
Public works	122,398	185,948	52,691
Health and welfare	7,222	0	0
Recreation and cultural	12,038	0	0
Other	57,259	0	0
Debt Service:			
Principal	0	0	0
Interest and other charges	0	0	0
<b>Total Expenditures</b>	<b>500,073</b>	<b>185,948</b>	<b>52,691</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(14,682)</b>	<b>(87,343)</b>	<b>(23,035)</b>
<b>Other Financing Sources (Uses)</b>			
Proceeds from issuance of long-term debt	112,500	0	0
Operating transfers in (out)	(14,540)	0	0
<b>Total other financing sources (uses)</b>	<b>97,960</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>83,278</b>	<b>(87,343)</b>	<b>(23,035)</b>
<b>Fund Balances - Beginning of year (as restated)</b>	<b>804,446</b>	<b>31,665</b>	<b>19,546</b>
<b>Fund Balances - End of year</b>	<b>\$887,724</b>	<b>(\$55,678)</b>	<b>(\$3,489)</b>

See accompanying notes to the basic financial statements.

Law Enforcement Fund	Library Fund	2006 Installment Loan Fund	Total Governmental Funds
\$102,714	\$0	\$0	\$359,541
0	0	0	5,095
825	0	0	237,380
0	0	0	9,359
0	8,250	0	8,250
462	6,698	0	33,147
0	0	0	26,150
0	3,002	0	56,681
104,001	17,950	0	735,603
0	0	0	12,877
0	0	0	245,665
84,511	0	0	127,125
0	0	0	361,037
0	0	0	7,222
0	23,717	0	35,755
0	0	0	57,259
0	0	5,002	5,002
0	0	1,288	1,288
84,511	23,717	6,290	853,230
19,490	(5,767)	(6,290)	(117,627)
0	0	0	112,500
0	8,250	6,290	0
0	8,250	6,290	112,500
19,490	2,483	0	(5,127)
28,233	27,693	0	911,583
\$47,723	\$30,176	\$0	\$906,456

## CITY OF PETERSBURG

*Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2006*

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Amounts reported for governmental activities in the statement of activities are different because:

<b>Total Net Change in Fund Balances - Governmental Funds</b>	(\$5,127)
---	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add-capital outlay	137,693
Deduct-depreciation expense	(36,524)

Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	5,002
---	-------

Adjustment to change in Summerfield-Petersburg Library joint venture equity interest to reflect Petersburg's 50% equity, the total activity of the library was reported in the funds	(1,241)
--	---------

Debt proceeds are not reported as a financing use on the statement of activities	<u>(112,500)</u>
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<b>Change in Net Assets of Governmental Activities</b>	<u><u>(\$12,697)</u></u>
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See accompanying notes to the basic financial statements.

# CITY OF PETERSBURG

## Statement of Net Assets Proprietary Funds June 30, 2006

	Business-type Activities Enterprise Funds		
	Sewage Disposal	Water	Total
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$237,117	\$188,754	\$425,871
Short-term investments	0	103,109	103,109
Receivables	53,320	71,514	124,834
Due from other funds	88,818	0	88,818
Total Current Assets	379,255	363,377	742,632
Restricted Assets:			
Cash and cash equivalents	0	332	332
Investments, at market value	0	373,911	373,911
Capital Assets:	2,652,110	3,976,810	6,628,920
Less: Allowance for depreciation	(1,226,534)	(939,474)	(2,166,008)
Total Capital Assets	1,425,576	3,037,336	4,462,912
Other Assets:			
Deposits	0	400	400
Total Assets	1,804,831	3,775,356	5,580,187
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable	4,534	8,054	12,588
Accrued interest payable	10,509	15,656	26,165
Due to other funds	115,112	253,230	368,342
Bonds payable - current portion	30,000	110,000	140,000
Total Current Liabilities	160,155	386,940	547,095
Long-Term Liabilities:			
Bonds payable (less current portion)	855,000	2,395,000	3,250,000
Total Liabilities	1,015,155	2,781,940	3,797,095
<b>Net Assets</b>			
Invested in capital assets, net of related debt	540,576	532,336	1,072,912
Restricted for capital projects	0	332	332
Unrestricted	249,100	460,748	709,848
Total Net Assets	\$789,676	\$993,416	\$1,783,092

See accompanying notes to the basic financial statements.

**CITY OF PETERSBURG**

*Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2006*

	Business-type Activities Enterprise Funds		
	Sewage Disposal	Water	Total
<b>Operating Revenues</b>			
Charges for services	\$191,375	\$102,855	\$294,230
Administrative fees	0	24,179	24,179
Penalties	6,329	4,428	10,757
Hydrant rental	0	3,350	3,350
Other revenue	126	375	501
Total Operating Revenues	197,830	135,187	333,017
<b>Operating Expenses</b>			
Water purchase	0	42,843	42,843
Administrative fee	10,060	12,570	22,630
Operating and maintenance wages	62,075	27,979	90,054
Benefits	10,873	6,477	17,350
Office supplies	301	64	365
Chemicals	9,643	0	9,643
Operating supplies	5,509	4,378	9,887
Professional services	2,000	2,500	4,500
Utilities	29,681	3,985	33,666
Maintenance and repair - mains	490	924	1,414
- other	4,081	861	4,942
Equipment rental	1,075	586	1,661
Depreciation	36,205	113,747	149,952
Miscellaneous	1,931	3,543	5,474
Insurance - general	2,702	1,145	3,847
- workman's compensation	1,863	1,529	3,392
Contracted services	15,915	4,528	20,443
Total Operating Expenses	194,404	227,659	422,063
Operating Income (Loss)	3,426	(92,472)	(89,046)
<b>Non-Operating Revenues (Expenses)</b>			
Property taxes	72,937	0	72,937
Debt service charge	0	127,307	127,307
Tap fees	4,320	29,350	33,670
Interest income	5,805	18,420	24,225
Interest and other charges	(42,393)	(67,559)	(109,952)
Total Non-Operating Revenues (Expenses)	40,669	107,518	75,250
Change in Net Assets	44,095	15,046	59,141
Net Assets - Beginning of year	745,581	978,370	1,723,951
Net Assets - End of year	\$789,676	\$993,416	\$1,783,092

See accompanying notes to the basic financial statements.

# CITY OF PETERSBURG

## Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2006

	Business-type Activities Enterprise Funds		
	Sewage Disposal	Water	Total
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers	\$198,037	\$135,384	\$333,421
Payments to suppliers	(76,683)	(73,328)	(150,011)
Payments to employees	(62,075)	(27,979)	(90,054)
Net cash provided (used) by operating activities	59,279	34,077	93,356
<b>Cash Flows from Noncapital Financing Activities:</b>			
Receipts from water fund	10,273	0	10,273
Payments to sewer fund	0	(10,273)	(10,273)
Net cash provided (used) by noncapital financing activities	10,273	(10,273)	0
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Property taxes	72,894	0	72,894
Principal repayments	(30,000)	(110,000)	(140,000)
Purchase of capital assets	0	1,425	1,425
Interest paid	(42,750)	(68,671)	(111,421)
Debt service and connection charges	4,320	156,147	160,467
Net cash provided (used) by related financing activities	4,464	(21,099)	(16,635)
<b>Cash Flows from Investing Activities:</b>			
Proceeds on sale of investments	0	100,000	100,000
Purchase of investments	0	(116,652)	(116,652)
Interest income	6,229	18,420	24,649
Net cash provided (used) by related investing activities	6,229	1,768	7,997
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>80,245</b>	<b>4,473</b>	<b>84,718</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>156,872</b>	<b>184,613</b>	<b>341,485</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$237,117</b>	<b>\$189,086</b>	<b>\$426,203</b>

See accompanying notes to the basic financial statements.



**CITY OF PETERSBURG**

*Reconciliation of Operating Income and Cash and Cash Equivalents  
Proprietary Funds  
For the Year Ended June 30, 2006*

	Business-type Activities Enterprise Funds		
	Sewage Disposal	Water	Total
<b>Reconciliations of operating income(loss) to net cash provided by operating activities:</b>			
Operating income(loss)	\$3,426	(\$92,472)	(\$89,046)
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	36,205	113,747	149,952
Changes in assets and liabilities:			
Receivables	207	197	404
Due to(from) other funds	15,882	14,947	30,829
Accounts payable	3,559	(2,342)	1,217
Net cash used by operating activities	<u>\$59,279</u>	<u>\$34,077</u>	<u>\$93,356</u>
<b>Reconciliations of cash and cash equivalents:</b>			
Cash and cash equivalents	\$237,117	\$188,754	\$425,871
Restricted cash and cash equivalents	0	332	332
Total cash and cash equivalents	<u>\$237,117</u>	<u>\$189,086</u>	<u>\$426,203</u>

See accompanying notes to the basic financial statements.

**CITY OF PETERSBURG**

*Statement of Fiduciary Funds*  
*Agency Fund*  
*June 30, 2006*

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**Assets**

Cash and investments	\$28
Accounts receivable	<u>4,777</u>
Total Assets	<u><u>\$4,805</u></u>

**Liabilities**

Deferred Taxes	<u>\$4,805</u>
Total Liabilities	<u><u>\$4,805</u></u>

See accompanying notes to the basic financial statements.

# CITY OF PETERSBURG

## *Notes to Financial Statements* *Year Ended June 30, 2006*

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### Note 1      Summary of Significant Accounting Policies

The financial statements of the City of Petersburg have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

#### Basis of Presentation

##### A. Reporting Entity

The City of Petersburg, Michigan is governed by an elected seven member council. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

##### B. Discretely Presented Component Unit

The Brownfield Redevelopment Authority is a separate legal entity that was created to finance environmental cleanup within the City. The Authority's governing body is selected by the City Council, which has the authority to approve its budget.

##### C. Jointly Governed Organizations

The following entity is not included herein as it operated as an autonomous unit:

Summerfield-Petersburg Library - This is a joint venture, supported by Summerfield Township and the City of Petersburg, to provide a library for these two government units. This library is audited as part of the City of Petersburg.

##### D. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City (the primary government) and its discretely presented component unit. The effect of interfund activity has been removed from these statements. Governmental activities are reported separately from business-type activities. Likewise, the primary government is reported separately from the discretely presented component unit for which the City is financially accountable. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities rely on user fees and charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major Individual Enterprise Fund are reported as separate columns in the fund financial statements.

# CITY OF PETERSBURG

## *Notes to Financial Statements* *Year Ended June 30, 2006*

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### Note 1      Summary of Significant Accounting Policies (Continued)

#### Basis of Presentation (Continued)

#### E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenue, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It is used to account for most of the day-to-day operations of the City which are financed from sales tax, property taxes and other general revenues. Activities financed by the general fund include those of line and staff departments within the City, except for activities of the enterprise funds.

Major Street Fund - To comply with the provisions of Act 51 P.A. of 1951, as amended, which provides that gas and weight tax moneys distributed by the State of Michigan to local units must be segregated from other moneys. This fund is used to account for revenues and expenditures that pertain to the construction and maintenance of major streets.

Local Street Fund - To comply with the provisions of Act 51 P.A. of 1951, as amended, which provides that gas and weight tax moneys distributed by the State of Michigan to local units must be segregated from other moneys. This fund is used to account for revenues and expenditures that pertain to the construction and maintenance of local streets.

## CITY OF PETERSBURG

*Notes to Financial Statements*  
*Year Ended June 30, 2006*

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### Note 1      Summary of Significant Accounting Policies (Continued)

#### Basis of Presentation (Continued)

#### E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)

Law Enforcement Fund - To account for voted millage levied specifically for law enforcement.

Library Fund - To account for monies collected from two local municipalities to operate the Summerfield-Petersburg Library.

2006 Installment Loan - To account for payment of loan principal and interest on a 2006 installment loan, from General Fund taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise funds are charges to customers for sales and services. The water and sewer recognizes the portion of tap fees intended to recover the cost of connecting new customers to the system as new operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

It is not the practice or intent of the City to recover depreciation expense with its user charges. The rates for the City's Enterprise Funds are intended to cover all expenses, except depreciation.

The City reports the following major proprietary funds:

Water Fund - To account for the provision of water services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

Sewage Disposal Fund - To account for the provision of sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

Additionally, the City reports the following fund type:

#### FIDUCIARY FUNDS

Agency Fund - Agency Funds are used to account for assets held by the City as an agent. The City has one agency fund which is described below:

Tax Collection Fund - to account for tax collection.

#### F. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Short-Term Interfund Receivables/Payables - Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

## CITY OF PETERSBURG

### *Notes to Financial Statements* *Year Ended June 30, 2006*

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#### Note 1      Summary of Significant Accounting Policies (Continued)

##### Basis of Presentation (Continued)

##### F. Assets, Liabilities, and Net Assets or Equity (Continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

##### Investments

Investments are recorded at fair value, based on quoted market prices.

##### Receivables and Payables

Accounts Receivable - Property taxes are levied based on taxable value at January 1 prior to July 1 and become due September 1, and past due after February 28. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectible.

Accounts receivables from other governments include amounts due from grantors for approved grants for specific programs. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Prepaid Items - Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items. The prepaid balances, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Restricted Assets - Restricted assets in the Enterprise Funds are; cash set aside for the construction and maintenance of the new water line.

Capital Assets - Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Infrastructure	50 years
Water and sewer distribution systems	50-100 years
Buildings and building improvements	30-50 years
Machinery and equipment	5-20 years
Computer equipment	3-10 years
Vehicles	3-10 years

## CITY OF PETERSBURG

### *Notes to Financial Statements* *Year Ended June 30, 2006*

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#### Note 1      Summary of Significant Accounting Policies (Concluded)

##### Basis of Presentation (Concluded)

##### F. Assets, Liabilities, and Net Assets or Equity (Concluded)

Long-Term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans for future use of financial resources.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Budgetary Principles - The City is required by its charter to adopt an annual budget on or before June 30 for the ensuing fiscal year. The general, special revenue, and debt service governmental fund types and proprietary fund types have legally adopted budgets. From the effective date of the budget, the amounts stated therein as proposed expenditures/expenses become appropriations to the various City departments. Throughout the fiscal year the budget was amended to add supplemental appropriations. All amendments to the budget which change the total appropriation amount for any department require City Council approval and all increases in appropriations must be accompanied by an increase in revenue sources of a like amount to maintain a balanced budget.

GASB Statement No. 34 requires that budgetary comparison statements for the General Fund and major special revenue funds be presented in the basic financial statements. These statements must display original budget, amended budget and actual results (on a budgetary basis).

Budgeted revenue amounts represent the original budget modified by City Council-authorized adjustments during the year, which were contingent upon new or additional revenue sources. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Budgets are prepared in conformity with GAAP using the modified accrual basis of accounting.

#### Note 2      Restatements

Beginning net assets and fund balance of Governmental Activities were increased by \$13,845 and \$27,693 respectively, to reflect the addition of the Summerfield-Petersburg Library cash as of June 30, 2005.

#### Note 3      Deposits and Investments

On November 17, 1998 the City Council adopted an investment policy to invest its funds in a manner which will provide the highest in investment return with the maximum security while meeting the daily cash flow needs of the City and comply with all state statutes governing the investment of public funds. The primary objectives in priority order of the investment activities are safety of principal, diversification, liquidity, and return on investment. The policy lists the types of investments that are authorized so long as they comply with the applicable state statutes.

## CITY OF PETERSBURG

### *Notes to Financial Statements* *Year Ended June 30, 2006*

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#### Note 3      Deposits and Investments (Continued)

The City's deposits and investments were reported in the statement of net assets under the following categories:

Cash and cash equivalents	\$ 668,306
Short-term investments	515,544
Restricted cash	332
Investments	<u>373,911</u>
Total	<u>\$1,558,093</u>

The breakdown between deposits and investments for the City are as follows:

Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$1,557,743
Petty cash	<u>350</u>
	<u>\$1,558,093</u>

#### **Deposits**

The above bank deposits reflected accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$1,563,272. Of that amount \$120,929 was covered by federal depository insurance and the remaining deposits were uninsured and uncollateralized.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each institution it deposits City funds with and assesses the level of risk of each institution: only those institutions with an acceptable estimated risk level are used as depositories.

#### **Investments**

The City's investments are categorized below to give an indication of the level of risk assumed by the City at the year end. Risk Category 1 includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the City or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterpart's trust department (or agency) in the City's name. Category 3 includes investments held by:

- a. The counterpart or
- b. The counterpart's trust department (or agent) but not in the City's name



## CITY OF PETERSBURG

### *Notes to Financial Statements* *Year Ended June 30, 2006*

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#### Note 3      Deposits and Investments (Concluded)

##### **Investments (Concluded)**

The City's investment balances as of June 30, 2006 were not subject to categorization. Investments were comprised solely of certificates of deposit with original maturity dates of greater than twelve months as follows:

	<u>Maturity</u>
	Five
	<u>Years</u>
Bank deposits:	
Certificate of deposits	<u>\$373,911</u>

##### **Interest Rate Risk**

The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

##### **Credit Risk**

The City's credit risk is limited by the state statutes governing the investment of public funds and by the City Council investment policy which limits the types of investments. The City has no investment policy that would further limit its investment choices.

##### **Concentration of Credit Risk**

The City investment policy refers to diversification by institution as a method to improve security of principal. The City places no limit on the amount the City may deposit or invest in any one issuer. As of June 30, 2006, 100% of the deposits and bank certificate of deposits were with Monroe Bank & Trust.

##### **Custodial Credit Risk**

All of the bank certificate of deposits and bank deposit accounts are in the name of the City.

#### Note 4      Stewardship, Accountability and Compliance

The City shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles and State Law for the General and Special Revenue Funds.

In the required supplemental information, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis, which is the adopted legal level of control.

During the year ended June 30, 2006, expenditures exceeded final budgeted amounts in the following funds:

	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General Fund	\$458,406	\$500,073	(\$41,667)
Local Street Fund	51,879	52,691	(812)
2006 Installment Fund	-	6,290	(6,290)
Brownfield Redevelopment Fund	-	7,756	(7,756)

# CITY OF PETERSBURG

## *Notes to Financial Statements* *Year Ended June 30, 2006*

Note 5      Due from Other Governments

Amounts due from other governments include state shared revenue of \$47,821.

Note 6      Interfund Receivable and Payable Balances

Interfund balances at June 30, 2006 consisted of the following individual fund receivables and payables:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund:		
Special Revenue Funds:		
Major Street Fund	\$ 70,077	
Local Street Fund	31,576	
Proprietary Funds:		
Water Fund	175,541	
Sewage Disposal Fund	115,112	
Component Unit:		
Brownfield Redevelopment Authority	7,756	
Special Revenue Funds:		
Major Street Fund:		
General Fund		\$ 70,077
Special Revenue Fund:		
Local Street Fund	7,571	
Proprietary Fund:		
Sewage Disposal Fund		5,516
Local Street Fund:		
General Fund		31,576
Special Revenue Fund:		
Major Street Fund		7,571
Proprietary Fund:		
Sewage Disposal Fund		5,614
Proprietary Funds:		
Water Fund:		
General Fund		175,541
Proprietary Fund:		
Sewage Disposal Fund		78,176
Sewage Disposal Fund:		
General Fund		115,112
Special Revenue Funds:		
Major Street Fund	5,516	
Local Street Fund	5,614	
Proprietary Fund:		
Water Fund	78,176	
Component Unit:		
Brownfield Redevelopment Authority		
General Fund	<u>          </u>	<u>7,756</u>
Totals	<u>\$496,939</u>	<u>\$496,939</u>

**CITY OF PETERSBURG**

*Notes to Financial Statements*  
*Year Ended June 30, 2006*

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Note 7      Interfund Transfers

Interfund transfers for the year ended June 30, 2006 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u> <u>General Fund</u>
Library Fund	\$ 8,250
2006 Installment loan	<u>6,290</u>
	<u>\$14,540</u>

The transfer from the General Fund to the Library Fund represents the City's share of the library's annual budget. The transfer to the 2006 Installment Loan Fund were expenditures paid during the current operating year.

# CITY OF PETERSBURG

## Notes to Financial Statements Year Ended June 30, 2006

### Note 8 Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$67,823	\$120,000	\$0	\$187,823
Depreciable Assets:				
Building	574,125	0	38,542	535,583
Land Improvements	61,218	0	0	61,218
Vehicles	52,539	0	0	52,539
Computers & Software	14,645	9,246	0	23,891
Office Equipment	25,738	0	0	25,738
Equipment	116,273	6,750	0	123,023
Heavy Equipment	156,026	0	0	156,026
Total capital assets	1,068,387	135,996	38,542	1,165,841
Less accumulated depreciation for:				
Building	119,305	15,065	2,044	132,326
Land Improvements	39,875	3,061	0	42,936
Vehicles	42,941	4,730	0	47,671
Computers & Software	14,219	384	0	14,603
Office Equipment	9,089	2,544	0	11,633
Equipment	105,531	1,743	0	107,274
Heavy Equipment	30,062	7,801	0	37,863
Totals accumulated depreciation	361,022	35,328	2,044	394,306
Total Governmental Activities capital assets, net	\$707,365	\$100,668	\$36,498	\$771,535
Business Activities:				
Non-Depreciable Assets:				
Land	\$139,196	\$0	\$0	\$139,196
Depreciable Assets:				
Buildings	1,029,535	0	0	1,029,535
Sewer system	1,534,639	0	0	1,534,639
Machinery and equipment	573,955	1,424	0	575,379
Water system	3,092,240	0	0	3,092,240
Generator	22,010	0	0	22,010
Vehicles	2,960	0	0	2,960
Wells	232,961	0	0	232,961
Total capital assets	6,627,496	1,424	0	6,628,920
Less accumulated depreciation for:				
Buildings	1,009,701	979	0	1,010,680
Sewer system	142,486	30,847	0	173,333
Machinery and equipment	378,031	19,688	0	397,719
Water system	272,861	97,705	0	370,566
Generator	14,735	733	0	15,468
Vehicles	2,960	0	0	2,960
Wells	195,282	0	0	195,282
Total accumulated depreciation	2,016,056	149,952	0	2,166,008
Total Business Activities capital assets, net	\$4,611,440	(\$148,528)	\$0	\$4,462,912

# CITY OF PETERSBURG

*Notes to Financial Statements*  
*Year Ended June 30, 2006*

Note 8      Capital Assets (Concluded)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities:	
General Government	\$17,064
Public Safety	4,751
Public Works	12,638
Recreation and Culture	<u>875</u>
Total Depreciation Expense - Governmental Activities	<u>\$35,328</u>
Business-Type Activities	
Sewer	\$ 36,205
Water	<u>113,747</u>
Total Depreciation Expense - Business-Type Activities	<u>\$149,952</u>

Note 9      Long-Term Debt

The following is a summary of changes in long-term debt:

	Balance <u>June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2006</u>	Due Within <u>One Year</u>
Governmental Activities:					
Purchase of building at 162 Walnut Street, loan payable - Monroe Bank and Trust, bearing interest of 4.40%	\$ <u>      </u> -	\$ <u>112,500</u>	\$ <u>5,002</u>	\$ <u>107,498</u>	\$ <u>19,011</u>
Business-Type Activities:					
2001 Sewer Plant Upgrades Limited Tax General Obligation Bonds, bearing interest of 4.75%	\$ 915,000	\$ -	\$ 30,000	\$ 885,000	\$ 30,000
2003 Water Main and Pumping Station Limited Tax General Obligation Bonds, bearing interest of 2.5%	<u>2,615,000</u>	<u>      </u> -	<u>110,000</u>	<u>2,505,000</u>	<u>110,000</u>
Total Business-type Activities	<u>\$3,530,000</u>	\$ <u>      </u> -	<u>\$140,000</u>	<u>\$3,390,000</u>	<u>\$140,000</u>

# CITY OF PETERSBURG

## Notes to Financial Statements

Year Ended June 30, 2006

### Note 9 Long-Term Debt (Continued)

Annual debt service to maturity for the above obligations are as follows:

	Governmental Activities		Business-Type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 19,011	\$ 4,052	\$ 140,000	\$ 102,575
2008	21,641	3,519	145,000	98,337
2009	22,636	2,524	155,000	93,800
2010	23,667	1,493	160,000	88,963
2011	20,543	423	165,000	84,001
2012-2016	-	-	925,000	338,251
2017-2021	-	-	1,115,000	176,002
2022-2026	-	-	585,000	20,894
	<u>\$107,498</u>	<u>\$12,011</u>	<u>\$3,390,000</u>	<u>\$1,002,823</u>

Installment loan - \$112,500 was taken out March 28, 2006, by the City of Petersburg for purchase of property at 162 Walnut Street. Funds necessary for payment of principal and interest will be financed by the General Fund.

Year Ended			Total
<u>June 30</u>	<u>Interest Due</u>	<u>Principal Due</u>	<u>Requirements</u>
2007	\$ 4,052	\$ 19,011	\$ 23,063
2008	3,519	21,641	25,160
2009	2,524	22,636	25,160
2010	1,493	23,667	25,160
2011	423	20,543	20,966
	<u>\$12,011</u>	<u>\$107,498</u>	<u>\$119,509</u>

General Obligation Sewer Bonds - \$995,000 issue dated February 1, 2001, by the City of Petersburg for sewer plant upgrades. Funds necessary for payment of principal and interest will be provided by a tax levy.

Year Ended	Interest Due		Principal Due	Total
<u>June 30</u>	<u>October 1</u>	<u>April 1</u>	<u>October 1</u>	<u>Requirements</u>
2007	\$ 21,019	\$ 20,306	\$ 30,000	\$ 71,325
2008	20,306	19,594	30,000	69,900
2009	19,594	18,644	40,000	78,238
2010	18,644	17,694	40,000	76,338
2011	17,694	16,744	40,000	74,438
2012	16,744	15,794	40,000	72,538
2013	15,794	14,606	50,000	80,400
2014	14,606	13,419	50,000	78,025
2015	13,419	11,994	60,000	85,413
2016	11,994	10,569	60,000	82,563
2017	10,569	9,144	60,000	79,713
2018	9,144	7,481	70,000	86,625
2019	7,481	5,819	70,000	83,300
2020	5,819	3,919	80,000	89,738
2021	3,919	2,019	80,000	85,938
2022	2,019	-	85,000	87,019
	<u>\$208,765</u>	<u>\$187,746</u>	<u>\$885,000</u>	<u>\$1,281,511</u>

# CITY OF PETERSBURG

## Notes to Financial Statements Year Ended June 30, 2006

### Note 9      Long-Term Debt (Concluded)

General Obligation Water Bonds - \$2,720,000 issue dated March 27, 2003, by the City of Petersburg for construction of new water main and pumping station. Funds necessary for payment of principal and interest will be provided by a one time connection fee to out of city residents, and quarterly debt charge.

Year Ended June 30	Interest Due		Principal Due	Total
	October 1	April 1	October 1	Requirements
2007	\$ 31,312	\$ 29,938	\$ 110,000	\$ 171,250
2008	29,937	28,500	115,000	173,437
2009	28,500	27,062	115,000	170,562
2010	27,063	25,562	120,000	172,625
2011	25,563	24,000	125,000	174,563
2012	24,000	22,437	125,000	171,437
2013	22,437	20,812	130,000	173,249
2014	20,812	19,125	135,000	174,937
2015	19,125	17,438	135,000	171,563
2016	17,438	15,688	140,000	173,126
2017	15,688	13,875	145,000	174,563
2018	13,875	12,062	145,000	170,937
2019	12,062	10,188	150,000	172,250
2020	10,188	8,250	155,000	173,438
2021	8,250	6,250	160,000	174,500
2022	6,250	4,187	165,000	175,437
2023	4,188	2,125	165,000	171,313
2024	<u>2,125</u>	<u>-</u>	<u>170,000</u>	<u>172,125</u>
	<u>\$318,813</u>	<u>\$287,499</u>	<u>\$2,505,000</u>	<u>\$3,111,312</u>

### Note 10      Property Taxes

The City bills and collects its own property taxes and also taxes for the County of Monroe, Monroe Intermediate School District, Monroe County Community College and Summerfield School District for 2005. The City tax was spread as follows:

General Fund	12.275	mills
Law Enforcement Fund	4.946	mills
WWTP Debt Fund	<u>3.493</u>	mills
	<u>20.714</u>	mills

The City's 2005 summer and winter taxes were levied July 1, 2005 and December 1, 2005, respectively, on assessed valuation as of December 31, 2004 and were due and payable by August 31, 2005 and February 14, 2006, respectively. State equalized values amounted to \$26,915,800. Taxable value amounting to \$20,761,900 was comprised of \$15,787,763 homestead and \$4,974,137 non-homestead.

### Note 11      Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by Security Benefit Life Insurance Co. The Plan, available to all permanent City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

## CITY OF PETERSBURG

### *Notes to Financial Statements* *Year Ended June 30, 2006*

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#### Note 11      Deferred Compensation Plan (Concluded)

All amounts of compensation deferred under the Plan, all property rights purchased with those amounts, and all income attributable to those amounts, property, or rights must be held in trust for the exclusive benefit of employees. While the contract is held by the City of Petersburg, the assets of the plan are held for the exclusive benefit of plan participants and their beneficiaries. The plan assets cannot be used to satisfy claims of general creditors. Therefore, the amount held in trust is not shown on the balance sheet.

As of July 1, 2002, the City adopted the Municipal Employees' Retirement System of Michigan Defined Benefit Program (MERS). All permanent City employees, excluding the Treasurer, will begin contributing to MERS and stop any further contributions to the current deferred compensation plan.

#### Note 12      Employee's Pension Plan Plan Description

Effective July 1, 2002, the City of Petersburg is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System of Michigan (MERS), administered by the State of Michigan. The City's payroll for employees covered by the system for the year ended June 30, 2006 was \$200,088 out of a total of \$244,040.

All full time City employees excluding the Clerk and Treasurer, are eligible to participate in MERS. Benefits vest after 10 years of service. Enrolled City employees who retire at age 60 with 10 years, age 55 with 15 years and age 50 with 25 years of credited service are entitled to an annual retirement benefit based on a member's final average compensation (FAC). For this purpose, final average compensation means one-fifth of the aggregate amount of compensation (as defined in the MERS Plan Document, Section 2A(6)) paid to a member during the period of 5 consecutive years of the member's credited service in which the aggregate compensation paid is highest. Monthly benefits are calculated by multiplying credited service at time of termination of membership by 2% of the member's five-year final average compensation. The retirement allowance is reduced  $\frac{1}{2}$  of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available. There is no mandatory retirement age. The system also provides death and disability benefits. Benefits are established by State statute and City Council resolution.

The Municipal Employees Retirement System of Michigan issues a publicly available financial report which may be obtained by writing to MERS, 447 North Canal Road, Lansing, Michigan 48197.

#### Funding Policy

General employees will contribute 5.0% of their salary to the plan. The City is required to contribute the remaining amounts necessary to fund the system, using the actuarial basis specified by State statute. The City's annual required contribution was \$10,246 for the fiscal year ending June 30, 2006. The contribution requirements of plan members and the City are established by the City and by the MERS Board of Trustees. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age normal cost method.

Significant actuarial assumptions include: 1.) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, 2.) projected salary increases of 4.5% per year compounded annually, attributable to inflation, 3.) additional projected salary increases ranging from 0.0% to 4.2% per year, depending on age, attributable to seniority/merit, and 4.) the assumption that benefits will increase 2.5% per year (annually) after retirement.



# CITY OF PETERSBURG

## Notes to Financial Statements Year Ended June 30, 2006

### Note 12    Employee's Pension Plan (Concluded)

#### Funding Policy (Concluded)

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 30 years.

#### Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

The contribution to MERS for the year ended June 30, 2006, of \$10,004 (5% current covered payroll) was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of December 31, 1990. The City contributed \$10,246; employees contributed \$10,004 (5.0% current covered payroll).

#### Trend Information

	Valuation Ended December 31,		
	2003	2004	2005
Annual pension cost	\$ -	\$ -	\$ -
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-
Actuarial value of assets	42,598	60,282	86,071
Actuarial accrued liability (entry age)	71,251	100,578	131,182
Unfunded (overfunded) AAL	28,653	40,296	45,111
Funded ratio	60%	60%	66%
Annual covered payroll	189,311	189,765	199,994
UAAL as a percentage of annual covered payroll	15%	21%	23%

### Note 13    Tax Increment Financing

Tax increment financing is the setting aside of the taxes generated by an increase in the state equalized value of designated properties for a specific purpose. On January 20, 2006, the City adopted a Brownfield Redevelopment Authority to assist in financing the clean-up and development of a Brownfield area. The City will advance the funds to the Brownfield Redevelopment Authority (BRA) for the eligible activities as described in the environmental work plan. The City of Petersburg BRA will reimburse the City for as much of the costs as possible using a collection of local and school tax increment revenues under the Act 381 program. As of June 30, 2006, no taxes have been set aside. Taxes will begin, once the City has cleaned up the property and sold it to another party.

## CITY OF PETERSBURG

### *Notes to Financial Statements*

*Year Ended June 30, 2006*

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Note 14     Building Department

The City tracks building permit fees and their related costs in the General Fund. Fees for the fiscal year ending June 30, 2006 of \$5,095 did not exceed the related costs and administrative overhead.

Note 15     Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The City has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

# CITY OF PETERSBURG

## General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$255,802	\$255,802	\$256,827	\$1,025
Licenses and permits	8,500	8,500	5,095	(3,405)
State grants	151,804	151,804	149,604	(2,200)
Charge for services	8,800	8,800	9,359	559
Interest and rentals	14,300	14,300	25,685	11,385
Administrative charges	25,000	25,000	26,150	1,150
Other revenue	4,000	4,000	12,671	8,671
<b>Total Revenues</b>	<b>468,206</b>	<b>468,206</b>	<b>485,391</b>	<b>17,185</b>
<b>Expenditures</b>				
Legislative:				
Council	12,075	12,075	12,877	(802)
General government:				
Mayor	3,445	3,445	2,934	511
Clerk - elections	5,100	5,100	3,795	1,305
Assessor	7,075	7,075	6,864	211
Attorney	20,000	20,000	10,248	9,752
Clerk	38,700	38,700	31,585	7,115
Independent auditing	5,000	5,000	3,900	1,100
Board of review	1,490	1,490	609	881
Treasurer	34,950	34,950	32,218	2,732
Cemetery	640	640	664	(24)
City hall	13,760	13,760	18,169	(4,409)
Public relations	4,500	4,500	126,349	(121,849)
Forestry	20,562	20,562	8,330	12,232
	<b>155,222</b>	<b>155,222</b>	<b>245,665</b>	<b>(90,443)</b>
Public safety:				
Fire department	25,350	25,350	31,200	(5,850)
Building inspection	11,675	11,675	10,223	1,452
Planning commission	2,572	2,572	1,191	1,381
Zoning Board of Appeals	202	202	0	202
	<b>39,799</b>	<b>39,799</b>	<b>42,614</b>	<b>(2,815)</b>

**CITY OF PETERSBURG**

*General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2006*

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures (Concluded)</b>				
Public works:				
Department of Public Works	\$133,663	\$133,663	\$93,064	\$40,599
Street lighting	25,000	25,000	25,241	(241)
Sanitation	4,000	4,000	4,093	(93)
	<u>162,663</u>	<u>162,663</u>	<u>122,398</u>	<u>40,265</u>
Health and welfare:				
Mosquito control	6,957	6,957	7,222	(265)
Recreation and cultural:				
Parks and recreation	17,390	17,390	12,038	5,352
Other:				
Insurance and bonds	20,000	20,000	15,195	4,805
Workmans compensation	1,800	1,800	812	988
Other fringes	42,500	42,500	41,252	1,248
	<u>64,300</u>	<u>64,300</u>	<u>57,259</u>	<u>7,041</u>
 Total Expenditures	 <u>458,406</u>	 <u>458,406</u>	 <u>500,073</u>	 <u>(41,667)</u>
 Excess (Deficiency) of Revenues Over Expenditures	 9,800	 9,800	 (14,682)	 (24,482)
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of long-term debt	0	0	112,500	112,500
Operating transfers out	(9,300)	(9,300)	(14,540)	(5,240)
 Total other financing sources (uses)	 (9,300)	 (9,300)	 97,960	 107,260
<b>Net Change in Fund Balances</b>	500	500	83,278	82,778
 Fund Balances - Beginning of year	 <u>804,446</u>	 <u>804,446</u>	 <u>804,446</u>	 <u>0</u>
 Fund Balances - End of year	 <u><u>\$804,946</u></u>	 <u><u>\$804,946</u></u>	 <u><u>\$887,724</u></u>	 <u><u>\$82,778</u></u>

# CITY OF PETERSBURG

## Major Street Fund Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
<b>Revenues</b>				
State grants:				
Gas and weight tax	\$69,597	\$69,597	\$65,663	(\$3,934)
Interest	240	240	169	(71)
Other	2,847	119,333	32,773	(86,560)
<b>Total Revenues</b>	<b>72,684</b>	<b>189,170</b>	<b>98,605</b>	<b>(90,565)</b>
<b>Expenditures</b>				
Public works:				
Routine maintenance	55,001	171,487	174,640	(3,153)
Traffic services	2,465	2,465	3,716	(1,251)
Winter maintenance	8,163	8,163	5,196	2,967
Administrative and engineering	6,875	6,875	2,110	4,765
Worker's compensation insurance	180	180	286	(106)
<b>Total Expenditures</b>	<b>72,684</b>	<b>189,170</b>	<b>185,948</b>	<b>3,222</b>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(87,343)	(87,343)
<b>Net Change in Fund Balances</b>	<b>0</b>	<b>0</b>	<b>(87,343)</b>	<b>(87,343)</b>
Fund Balances - Beginning of year	31,665	31,665	31,665	0
Fund Balances - End of year	<u>\$31,665</u>	<u>\$31,665</u>	<u>(\$55,678)</u>	<u>(\$87,343)</u>

**CITY OF PETERSBURG**

*Local Street Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2006*

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
<b>Revenues</b>				
State grants:				
Gas and weight tax	\$22,613	\$22,613	\$21,288	(\$1,325)
Interest	145	145	133	(12)
Other	0	29,121	8,235	(20,886)
<b>Total Revenues</b>	<b>22,758</b>	<b>51,879</b>	<b>29,656</b>	<b>(22,223)</b>
<b>Expenditures</b>				
Public works:				
Routine maintenance	13,983	43,104	44,351	(1,247)
Traffic services	1,032	1,032	821	211
Winter maintenance	5,163	5,163	5,122	41
Administrative and engineering	2,400	2,400	2,110	290
Worker's compensation	180	180	287	(107)
<b>Total Expenditures</b>	<b>22,758</b>	<b>51,879</b>	<b>52,691</b>	<b>(812)</b>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(23,035)	(23,035)
<b>Net Change in Fund Balances</b>	<b>0</b>	<b>0</b>	<b>(23,035)</b>	<b>(23,035)</b>
Fund Balances - Beginning of year	19,546	19,546	19,546	0
Fund Balances - End of year	<u>\$19,546</u>	<u>\$19,546</u>	<u>(\$3,489)</u>	<u>(\$23,035)</u>

**CITY OF PETERSBURG**

*Law Enforcement Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2006*

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$102,685	\$102,685	\$102,714	\$29
State grants:				
Liquor license fees	825	825	825	0
Interest and other	1,860	1,860	462	(1,398)
<b>Total Revenues</b>	<b>105,370</b>	<b>105,370</b>	<b>104,001</b>	<b>(1,369)</b>
<b>Expenditures</b>				
Public safety:				
Contract with Monroe County	85,000	85,000	76,092	8,908
Salaries	570	570	510	60
Transportation	3,200	3,200	2,081	1,119
Maintenance	1,850	1,850	2,521	(671)
Equipment	11,000	11,000	0	11,000
Utilities	2,350	2,350	2,117	233
Telephone	700	700	605	95
Miscellaneous	250	250	176	74
Supplies	450	450	409	41
<b>Total Expenditures</b>	<b>105,370</b>	<b>105,370</b>	<b>84,511</b>	<b>20,859</b>
Excess (Deficiency) of Revenues Over Expenditures	0	0	19,490	19,490
<b>Net Change in Fund Balances</b>	<b>0</b>	<b>0</b>	<b>19,490</b>	<b>19,490</b>
Fund Balances - Beginning of year	28,233	28,233	28,233	0
Fund Balances - End of year	<u>\$28,233</u>	<u>\$28,233</u>	<u>\$47,723</u>	<u>\$19,490</u>

**CITY OF PETERSBURG**

*Library Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2006*

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
<b>Revenues</b>				
Local contributions:				
Summerfield Township	\$8,250	\$8,250	\$8,250	\$0
Interest and rentals	0	0	6,698	6,698
Other	0	0	3,002	3,002
<b>Total Revenues</b>	<b>8,250</b>	<b>8,250</b>	<b>17,950</b>	<b>9,700</b>
<b>Expenditures</b>				
Recreation and culture:				
Library	16,500	16,500	23,717	(7,217)
<b>Total Expenditures</b>	<b>16,500</b>	<b>16,500</b>	<b>23,717</b>	<b>(7,217)</b>
Excess (Deficiency) of Revenues Over Expenditures	(8,250)	(8,250)	(5,767)	2,483
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	8,250	8,250	8,250	0
<b>Net Change in Fund Balances</b>	<b>0</b>	<b>0</b>	<b>2,483</b>	<b>2,483</b>
Fund Balances - Beginning of year	27,693	27,693	27,693	0
Fund Balances - End of year	\$27,693	\$27,693	\$30,176	\$2,483



**CITY OF PETERSBURG**

*2006 Installment Loan  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2006*

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
<b>Revenues</b>				
Property taxes	\$0	\$0	\$0	\$0
Total Revenues	0	0	0	0
<b>Expenditures</b>				
Debt service:				
Principal	0	0	5,002	(5,002)
Interest and other charges	0	0	1,288	(1,288)
Total Expenditures	0	0	6,290	(6,290)
Excess (Deficiency) of Revenues Over Expenditures	0	0	(6,290)	(6,290)
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	0	0	6,290	\$6,290
<b>Net Change in Fund Balances</b>	0	0	0	0
Fund Balances - Beginning of year	0	0	0	0
Fund Balances - End of year	\$0	\$0	\$0	\$0



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City Council  
City of Petersburg  
Petersburg, Michigan 49270

#### Report of Comments and Recommendations

As a result of our examination of the financial statements of the City of Petersburg for the fiscal year ended June 30, 2006, we are making the following comments and recommendations. These comments do not encompass all matters that might result from special studies directed toward such matters.

##### Budgets

The Budget Act 621 provides for a system of uniform procedures for preparation and execution of budgets of local units of government. We would like to point out certain aspects of this law as it applied to the City and its 2005/06 budget.

Expenditures cannot exceed appropriated amounts. The budget should be compared with the actual expenditures throughout the year and amended when necessary. The budget may be amended more than once and at any time during the year. If the Council finds it necessary to amend the budget, we recommend they commence formal action and document approval in minutes to the meetings. We remind the City it is on the modified accrual method, a method which records an expenditure when the liability is incurred and not necessarily when paid.

Also, the budget should include the amount of fund balance (deficit) accumulated from prior years.

We would be happy to review the City's budget for compliance with the Act at any time.

##### Fund Deficits

Major and Local Street Funds have deficit fund balances of \$55,678 and \$3,489, respectively. A deficit elimination plan must be prepared and mailed to the State of Michigan.

City Council  
City of Petersburg

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Law Enforcement Fund

The Law Enforcement Fund showed a net income of \$19,490. The fund balance of the Law Enforcement Fund as of June 30, 2006 is \$47,723. This ending fund balance should again be considered for budgetary purposes for 2006-2007.

Equipment Rentals - Intergovernmental

We suggest the City Council monitor these expenses to assure that no fund exceeds its budget. If it becomes apparent that any budget is in danger of being exceeded, we suggest budget amendments be noted in the minutes.

Delinquent Personal Property Taxes

At June 30, 2006, there was \$4,777 of delinquent personal property taxes. We suggest the City Treasurer determine which ones are not expected to be collected and write them off. In order to have the proper allocation between funds and governmental units, we will need copies of the tax bills or a breakdown of the tax bills by fund and governmental unit. We suggest the City explore alternative ways to collect from those taxpayers still in business.

Due to Other Funds

The Water Fund owes the General Fund \$175,541 at June 30, 2006. This amount has been steadily increasing over the past several years. The Water Fund is being charged with equipment rental, liability insurance, administrative fee, etc. and has not been paying these amounts to the General Fund. We suggest the Water Fund begin paying back the General Fund as soon as possible.

In addition, several other funds due to/due from have been steadily increasing. These amounts range from approximately \$5,000 to \$120,000. We recommend you review all due to/due from accounts and begin repayment.

We wish to express our appreciation for the continuing cooperation and courtesy extended to us by all officials and employees of the City. We would be pleased to discuss any of these recommendations with you, and to provide any assistance that you may require in their implementation.

Very truly yours,

*Coolly Hehl W. H. G. & Co., LLC*

September 25, 2006